THE RELATIONSHIP BETWEEN WORK PERMITS AND THE INFLOW OF FOREIGN DIRECT INVESTMENT IN KENYA: A FOCUS ON THE MINISTRY OF IMMIGRATION AND REGISTRATION OF PERSONS

BY
MWACHIRO GEORGE MWATATA

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DECLARATION

I declare that all statements in this project whether in writing or illustration are true to the best of my knowledge, that the contents are my original work and have not been presented for any degree in any other University.

Sign:…………………………………… Date…………………………….

Mwachiro George Mwatata

D/61/P/8977/2004

This project has been submitted for examination with my approval as the university supervisor.

Sign………………………………… Date…………………………………..

Prof. Martin Ogutu

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

To my entire family, for their encouragement and support during this course. My wife, Vivian Chari whose unsevered support inspired, encouraged and made it possible for me to complete this project.

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ABSTRACT

Kenya is losing the battle for foreign direct investments(FDI) to Uganda and Tanzania as heightened political tensions and restrictions on foreign ownership in some sectors turn away multinationals. The FDI inflows to Kenya dipped from $729 million in 2007 to $177 million last year, according to the United Nations Conference on Trade and Development (UNCTAD).In a similar period, Uganda's FDI inflows jumped from $733 million to $797 million while Tanzania's from $581 to $725 million. The drop in Kenya's FDI inflows means there will be fewer new jobs as the freeze in corporate hiring continues. New capital is expected to create new jobs and help the government reverse the high unemployment rate estimated at about 50 per cent, meaning half of the people are unable to find work despite their willingness and ability. Unemployed youth, for instance, have been blamed for the chaos in 2008 after the disputed elections and are seen as a threat to future social stability. Foreign direct investment is critical to country's development, especially in times of economic crisis. It brings new and more committed capital, introduces new technologies and management styles, helps create jobs, and stimulates competition to bring down local prices and improve people's access to goods and services. With few people in employment, demand for goods and services also slows down, thus limiting business growth. This study examines FDI in Kenya, in the context of Kenya's regulatory environment and investor permits issued by the Immigration Department in particular. The study presents FDI trends in Kenya, using official government data from central Bank of Kenya, the UNCTAD, and the World Bank. To supplement the official data, the study also discusses investor permits as issued by the Immigration Department of Kenya; it gives an overview on regulations on Immigration processes in investor permits issuance, provides comparative analysis of laws in effect and amendments introduced. It gives statistical data on the annual investor permits issued annually as well as some key points of the Kenyan immigration

policy with respect to foreign investors seeking to invest in the country. FDI inflows and outflows are examined and to illustrate the driving forces behind these FDI trends, the study discusses the Kenyan investment climate and regulatory environment; in particular investor permits as they affect investment, the determinants of FDI and if investor permits issued by the Department of Immigration of Kenya have a bearing on FDI inflows into Kenya. Finally, the study presents both cases of Investor Permits and Foreign Direct Investment and analyses if there is any relationship between them.

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LIST OF ABBREVIATIONS

AGOA African Growth and Opportunities Act

AIBUMA African International Business and Management

APEC Asia-Pacific Economic Cooperation

BAC Business Advisory Committee

COMESA Common Market for Eastern and Southern Africa

EAC East African Community

EPZs Export Processing Zones

FDI Foreign Direct Investment

IMF International Monetary Fund

JANCPEC Japan National Committee for Pacific Economic Cooperation Council

KUR Kenya-Uganda Railway

MIGA Multilateral Investment Guarantee Agency

MNEs Multinational Enterprises

MNCs Multinational Corporations

NSIS National Security Intelligence Service

OECD Organization for Economic Co-operation and Development

OLI Ownership, Location and Internalization

R& D Research and Development

SAPs Structural Adjustment Programs

SPSS Statistical Package for the Social Sciences

UN United Nations

UNCTAD United Nations Conference on Trade and Development

UNCTD United Nations Convention Travel Document

UNHCR United Nations High Commission for Refugees

US United States

USD United States Dollar

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Foreign Direct investment (FDI) refers to direct investments in equipment, structures, and organizations in a foreign country at a level that is sufficient to obtain significant management control; it does not include mere foreign investment in stock markets (Ball 2008).Foreign Direct Investment (FDI) not only provides countries with much needed capital for domestic investment but also creates employment opportunities, help transfer of managerial skills and technology, all of which contribute to economic development. Recognizing that FDI can contribute a lot to economic development, all governments of Africa including that of Kenya want to attract it. Indeed, the world market for such investment is highly competitive, and Kenya in particular, seeks such investment to accelerate her development efforts (Kinaro 2006).

The level of FDI has been low and stagnant over past couple of years and well below Kenya's potential. There has also been a worrying trend of foreign investors moving out of Kenya and gravitating to other countries. The main objective of the study is to identify work permits as a key factor that influences FDI decisions in Kenya. This study will be significant in the sense that Kenya has experienced a decreasing trend of FDI inflows over the years and given that a key feature of some FDI business is that they have the potential to introduce specialist managerial and technical skills to host countries, therefore necessitating work and entry permits for their key staff. Additionally, owners of FDI businesses are often expected to have the ability to acquire work and entry permits. It should be noted that FDI inflows to Kenya is very crucial because it serves as a source of capital and given that foreign aid had been dwindling over the years, this study is important in the sense that FDI stimulates domestic investment and brings with it new technology.

1.1.1 Foreign Direct Investment

According to IMF (1993), FDI is the long-term investment reflecting a lasting interest and control by a foreign direct investor (or parent enterprise), of an enterprise entity resident in an economy other than that of the foreign investor, Mallampally and Sauvant (1999) agree they define FDI as investment by multinational corporations in foreign countries in order to control assets and manage production activities in these countries.FDI can be outward or inward. Outward FDI in reference to Kenya refers to MNCs located in Kenya either national or international MNCs that are taking funds out of Kenya and investing elsewhere. Inward FDI in relation to Kenya refer to those MNCs that are located in Kenya and bring in more funds for investment in Kenya or reinvest their earnings from their operations in Kenya (Yabs 2007). For the purpose of this study, FDI shall mean the inbound component.

FDI is widely thought to bring with it, into the host country, a bundle of productive assets, including long-term foreign capital, entrepreneurship, technology, skills, innovative capacity, and managerial, organization and export marketing know-how. Compared to foreign bank loans and portfolio investment, the capital flow associated with FDI is more stable, has no fixed interest payments or repayments, is invested directly into productive capacity and is largely motivated by prospects of long-term profitability, Eglin (2001); Mallampally and Suvant (1999).

1.1.2 Work Permits

Under the Immigration Act (1967, with subsequent amendments), two types of Permits that consolidate work and entry permits can be issued; Class A or D permits can be granted to an individual who is offered specific employment by a specific employer and Class F to J permits which serve as “investor permits” and are granted to individuals who propose to invest in different types of activities. For the purpose of this study, the focus will be on Class F to J permits. The Immigration Act does not prescribe any minimum amount of investment for such permits.

Applications for permits are currently assessed by a committee that is chaired by the Department of Immigration and includes representatives from the Ministries of foreign affairs, Labour, Tourism, Trade and Industry and the current Investment Promotion Centre. The Immigration Act states that permits will be granted to foreigners on the condition that “employment will be to the benefit of Kenya”. However, “benefit of Kenya” is not defined by law, nor are there any published guidelines as to how it is to be interpreted. The result of the current situation is that there is a high degree of discretion granted to the committee in the allocation of permits.

1.1.3 The Ministry of Immigration and Registration of Persons

The control of entry and residence of foreigners into this country dates back to the introduction of what was called the Immigration Restriction Ordinance of 1906. This Ordinance restricted the influx of foreigners especially Indians, coming to the then Kenya colony and Protectorate upon completion of the Kenya-Uganda Railway (KUR) or the Iron Snake. These foreigners known as 'Coolies' from the sub continent of India had decided to remain in Kenya to start businesses and became known as 'dukawalas'. This Ordinance and others in 1940, 1944, 1948 and 1956 imposed restrictions on persons who wished to travel to Kenya for permanent settlement. The Immigration Ordinance of 1st August 1948 formed the basis of the present day Immigration Ministry, which was curved from the Police Department in 1950. The Immigration Ordinances were revised in 1962 and 1964, when the latter was renamed the Immigration Act.

The Immigration Act of 1964 was revised and a new Immigration Act of 1967, Cap. 172 Laws of Kenya, the current operational Act of the Department, came into force on 1st December, 1967. The core functions of the department include: controlling and regulating entry and exit of all persons at our airports, seaports and land border posts; controlling and regulating residency through issuance and renewal of entry/work permits and other passes as provided for by the Immigration Act ;Issuance of Kenya passports and other travel documents including United Nations Convention Travel Document (UNCTD) in conjunction with UNHCR; considering and granting Kenya citizenship to qualified foreigners under the Kenya Constitution and the Citizenship_Act; Issuance of entry visas provided for under the Kenya visa regulations; registering all non-citizens resident in Kenya under the Aliens Restriction Act and others; Declaration and removal of prohibited immigrants; offering Quasi-Consular functions on behalf of a number of commonwealth countries who are not represented in Kenya and who have requested the Kenya government to do so; providing consular services to our nationals and foreigners at the missions abroad; investigation and prosecution of persons who contravene the Immigration Law as and Regulation; enforcement of the Citizenship Act, the Immigration Act, the Aliens Restriction Act and the visa regulations.

1.2 Research Problem

Foreign direct investment (FDI), which has played a significant role in globalization, has enabled many developing countries to accelerate their development. The benefits of inward FDI for developing countries have been widely analyzed and empirically researched in the literature (UNCTAD, 2001; Lipsey, 2002; OECD, 2002; UNCTAD, 2002).Despite the dramatic increases in international flows of foreign direct investment over the past two decades, Kenya has largely missed out on this trend. Why hasn't more FDI flowed into Kenya? Historically, Kenya has suffered from glaring inadequacies of the regulatory and administrative practices with respect to the treatment of foreign investors and the protection of their investments, which sharply diminished her attractiveness for receiving incoming FDI. Combined with a range of additional social, political, economic, and other challenges, this has hindered Kenya's ability to compete, when compared to investment opportunities within the East African region and beyond. According to the United Nations Conference on Trade and Development, a number of problems still need to be addressed in order for Kenya to improve attractiveness as a destination for foreign investment. Among them is the lack of updated systems for providing work and residence permits for expatriate personnel, who are often critical resources for the investor due to the managerial and technical expertise they provide (Ball 2008).

Currently the process of reviewing applications for permits can be extremely lengthy and The Immigration Department does not provide any clear guidelines about the timeframe in which it will commit to reviewing an application for a permit. Additionally, applications may not normally be approved unless the prospective employer(s) can show evidence that they have been unable to fill the particular post(s) due to lack of suitably qualified personnel in the Kenya Labour market. Those who wish to engage alone or in Partnership in Business, specific trade or profession would have to furnish evidence that they have obtained or are assured of obtaining relevant license(s), Registration or other Authority that may be necessary in order to engage in the contemplated business, trade or profession. In addition, they would be required to prove that they have sufficient capital derived from sources outside Kenya which is certain to be remitted to Kenya for the purpose (The Immigration Act, Cap 172).

Studies have been carried out to examine the determinants of FDI in African countries, but unfortunately, no known studies have been carried out specifically for Kenya in reference to work permits. The studies that have been so far conducted are cross-country, usually employing comparative analysis using some of the African /or developing countries including Kenya (Kinaro 2006). Hence, it became necessary to carry out an empirical investigation to find out how work permits issued by the Ministry of Immigration is a critical factor influencing FDI flows in Kenya. This research sought to answer the following research question: To what extent do work permits issued by the Ministry of Immigration and Registration of Persons have a bearing on the level of FDI flows in the country?

1.3 Research Objective

The objective of the study is to establish if work permits issued by the Ministry of Immigration and Registration of Persons have a relationship with the level of FDI flows in the country.

1.4 Value of the Study

The findings of this study will be significant to both academicians and policy makers in the following way:

It will add to the knowledge of the researchers and guide academicians in this field of study. The study will form a basis for academic and further research and knowledge on FDI. It is also expected to serve as a source of information to the public who would like to know more about work permits issued by the Ministry of Immigration of Kenya.

It will serve as a guide to policy makers. The recommendations of this study are expected to enhance provision of information that will enable the government to formulate policy measures and decisions that will facilitate smooth development through FDI. Developing countries have been avid in attracting investment to help with their development in important areas. In their search for this investment, governments have made changes in their policies to make their countries more attractive to the foreign investor. With this paper, it would be the purpose to establish what makes a country attractive to FDI, and what governments have done to attract it.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The world has increasingly recognized that private capital has a vital role to play in economic development. The United Nation's (UN) Millennium Declaration explicitly calls for greater foreign direct investment (FDI) to Africa. Over the course of the 1900s, African countries significantly liberalized the environment for foreign investment. Nearly all countries revised their national laws governing FDI, and the vast majority lifted controls on capital (UNCTAD 1998). Despite these substantial changes, Africa has not received the levels of FDI that reformers had expected. At the same time, within Africa, a deeply rooted skepticism towards foreign investment remains, manifested through a range of barriers to foreign investment. Some of the early ideological objections to foreign capital have eroded over time, and most of the legal restrictions have been removed as countries have pursued economic policy reforms over the past two decades. Nevertheless, some constraints remain in place, and many of the indirect barriers remain significant obstacles to higher flows to the continent.

2.2 Foreign Direct Investment

The literature on the effects of FDI in developing countries lists a range of prospective benefits to the recipient country. At the macroeconomic level, FDI by definition brings new capital for investment, contributing to the balance of payments, adding to the country's capital stock, and potentially adding to future economic growth. FDI is also cited as a more stable type of capital flow, and thus is arguably more appropriate and developed-friendly for low-income countries than portfolio flows. There is also some evidence that foreign investment can contribute to raising exports and integrating into global economic networks. At the micro-economic level there are also a range of purported benefits, especially higher productivity through new investment in physical and human capital, increased employment enhanced management, and the transfer of technology. Foreign Investment also is thought to have important spillover effects on local firms through supply and distribution chains, trading, and outsourcing (Blomstrom and Kokko, 1997 and 1998).

Partly as a result of the growing recognition that FDI can play an important role in economic growth and development, low-income countries have increasingly engaged in competition to attract foreign investment. Most low-income countries have undergone some types of policy reforms designed to reduce barriers and attract investment and most also now have some explicit kind of investment promotion agency. Because a range of studies looking at determinants of FDI have pointed to the business environment as a key factor (Goldsborough, 1996 and MIGA, 2002), critics have critically undertaken enforcement and measures thought to be investment friendly. According to neoclassical theory, FDI influences income growth by increasing the amount of capital per person. It does not influence long-run economic growth, however, because of diminishing returns to capital. Recent indigenous growth theorists (Romer, 1986 and Lucas, 1988) however, argue that FDI spurs long-run growth through such variables as research and development (R&D) and human capital. They suggest that, through technology transfer to their affiliates and technological spillovers to unaffiliated firms in the list economy, MNCs can speed up the development of new intermediate product varieties, raise product quality, facilitate international collaboration on R & D, and introduce new forms of human capital**.**

Many empirical studies, especially those using firm-level data, find no evidence that FDI causes economic growth and that FDI is no more productive than domestic investments (Kumar, 1996). For simultaneity bias, country-specific effects, and proper use of lagged dependent variables in growth regressions, concurs. The studies show marginal macro- economic impacts, with FDI actually growing of local investment and other types of foreign flows in some countries and adversely affecting their current accounts. The majority of studies (Balasubramanyam et al; 1996; and OECD, 2002), however, conclude that FDI contributes to total factor productivity and income growth in host economies, over and above what domestic investment would trigger. The studies find, further, that policies that promote indigenous technological capability, such as education, technical training, and R&D increase the aggregate rate of technology transfer from FDI and that export promoting trade refines are also important prerequisites for positive FDI impact.

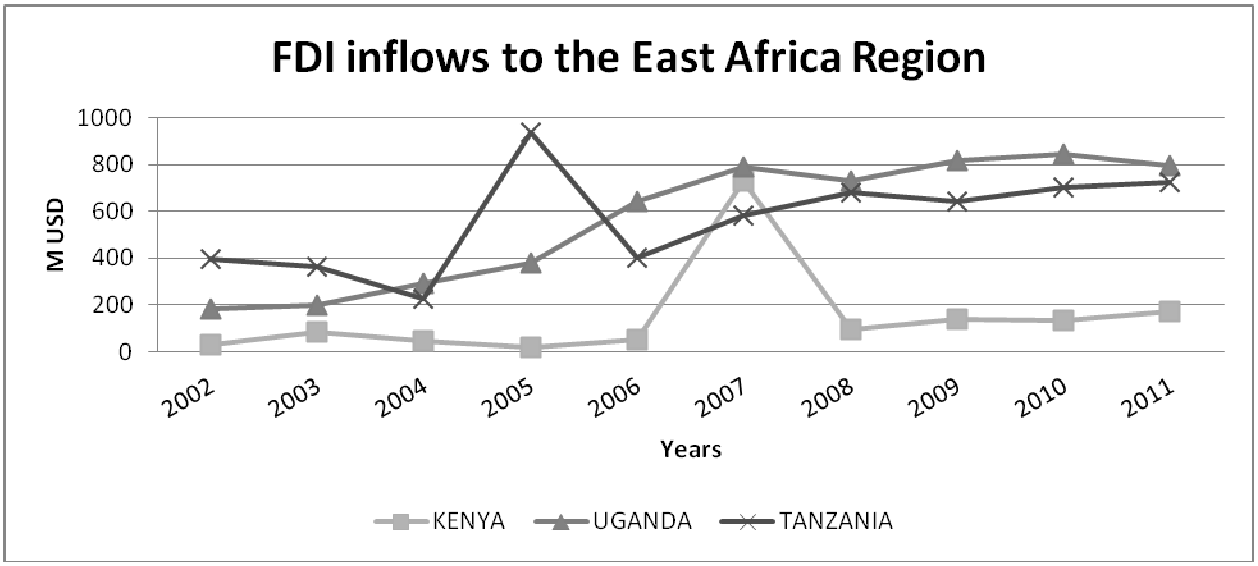
On shortcomings; empirical evidence suggests that: domestic market oriented foreign firms employ more capital intensive technology than local firms; there are no persuasive difficulties in wage rates strictly attributable to foreign investment; FDI contributes to transfer pricing and has a negative effect on the balance of payment; the indirect costs related to restrictive classes often included in technology transfer contracts are much higher than the direct costs, Kumar (1996).
Some of the costs could be ameliorated by such general policies as entail regulations competition policies, and good governance but FDI incentives reduce the welfare benefits, Kumar (1996).Empirical evidence, therefore, tilts in favour of positive net FDI benefits even though these are not automatic, Wells (1993);OECD (2002). Even without technology spillovers the total welfare effect of FDI on the local economy may be positive because the very act of curtailing spillovers by MNCs may create positive externalities to local agents, for example,

higher wages; Saggi (undated).Empirical evidence on the magnitude of the economic growth impact is scant. FDI tends to have smaller effects on growth in least developed countries (LCDs), however, due to "threshold externalities" OECD (2002). For FDI to contribute to economic growth, the host country must have achieved a minimum threshold level of development in education, technology, infrastructure, financial markets, and health.

2.3 Foreign Direct Investment Inflows and Outflows

FDI flows to Kenya have not only been highly volatile, they generally declined in the1980s and 1990s despite the economic reforms that took place and the progress made in improving the business environment. The investment wave of the 1980s dwindled in the 1990s as the institutions that had protected both the economy and the body politic from arbitrary interventions were eroded (Phillips et al., 2001).Kenya is losing the battle for foreign direct investments (FDI) to Uganda and Tanzania as heightened political tensions and restrictions on foreign ownership in some sectors turn away multinationals. The FDI inflows to Kenya dipped from $729 million in 2007 to $141 million last year, according to the United Nations Conference on Trade and Development (UNCTAD).In a similar period, Uganda's FDI inflows jumped from $733 million to $799 million while Tanzania's held steady at $645 million (see Figure 2.0 below).

Figure 2.0 FDI inflows to the East Africa Region



Source: UNCTAD 2012

During this period FDI levels were reasonably high in comparison to other East African countries. This was partly attributed to the fact that Kenya had maintained a favourable investment climate. Obrien and Ryan (2002) note that Kenya was for many years a relatively attractive locale for foreign investment. However, Bradshaw (1988) observes that although that was the case, there were already concerns by both scholars and government planners that, because of Kenya's liberal repatriation policies, more international investment income left Kenya in the form of profit remittances than flows into the country. As a result the government instituted measures to encourage reinvestment of their profits in the country. From 1974, firms with high repatriation rate had their local borrowing rights restricted by the Central Bank. The government also attempted to cut down on the level of management remittances and technical fees by imposing a 14 percent withholding tax. These efforts discouraged foreign investors.

FDI in Kenya has not only been volatile but also low since the 1970s. This led to the stagnation of the manufacturing sector which was largely been dominated by the foreign firms. This decline was blamed on the inward oriented strategy as well as the collapse of the East Africa Community in 1977. Ensuing economic distortions resulted in severe structural constraints and macro economic imbalances and firms failed to develop competitive capabilities to penetrate the international markets. The inward looking policies pursued at the time under import substitution made it difficult to effectively participate and compete keenly in the export markets. As a result the manufacturing industry failed to play a more dynamic role enough to function as an engine of county's growth and did not contributed significantly to foreign exchange (Kenya Government 1994).

Further, the economic stagnation in the mid 1980s and 1990s affected Kenya's industrialization with consequent effects on labour productivity (Gachino and Rasiah, 2003). Political instability in neighbouring countries particularly Uganda also drew away markets and investment in Kenya. Macro economic constraints arising from a collapse in the IMF's Structural Adjustment Program (SAPs) in 1986(Mwega and Ndungu, 2002), massive destruction of infrastructure due to El Nino rains and weak institutions had all contributed to economic stagnation (Phillip and Obwana, 2000; Todaro, 2000; Rasiah and Gachino 2005). Hence, although Kenya introduced a number of instruments to promote FDI and export oriented industrialization during this period, these efforts did not yield much.

After the disappointing period of the 1990s, Kenya resumed the path to rapid economic growth in 2002 through the implementation of the Economic Recovery Strategy paper which was replaced by vision 2030 after it expired in 2007. During this period the government embarked on establishment of free trade zones, improvement of business climate, infrastructure, and development of incentives among initiatives. These efforts are aimed at building a momentum that can sustain economic growth and promote development. At the centre of these efforts is a commitment to attract foreign direct investment which was hoped would assist in the industrialization process.

Foreign firms in Kenya since the 1970s have invested in a wide range of sectors. Most notably they played a major role in floriculture and horticulture, with close to 90 percent of flowers being controlled by foreign affiliates. In the Manufacturing sector FDI has concentrated on the consumer goods sector, such as food and beverage industries. This has changed in the recent years with the growth of the garment sector because of African Growth and Opportunities Act (AGOA). Of the 34 companies involved in AGOA 28 are foreign most of them concentrated in the Export Processing Zones (EPZs). FDI is also distributed to other sectors including services, telecommunication among others. 55 percent of the foreign firms are concentrated in Nairobi while Mombasa accounts for about 23 percent, thus Nairobi and Mombasa account for over 78 percent of FDI in Kenya. The main form of FDI establishment has been through the form of green fields establishments and Kenya has in total more than 200 multinational corporations. The main traditional sources of foreign investments are Britain, US and Germany, South Africa, Netherlands, Switzerland and of late China and India (UNCTAD, 2005).

2.4 Determinants of Foreign Direct Investment

There is a variety of theoretical models explaining FDI and a wide range of factors that can be experimented within empirical studies in order to find the determinants of FDI. In general there are at least nine different approaches to factors that lead to FDI locating to different countries.

These theories are: determinants according to the Neoclassical Trade Theory and the Hecksher-Ohlin model in which capital moves across countries owing to differences in returns (Markusen 1995); ownership advantages as determinants of FDI (including monopolistic advantage and internalization theory) based on imperfect competition models and the view that MNEs are firms with market power (Hymer 1960); determinants of FDI in Dunnings (1993) OLI framework which brought together traditional trade economics, ownership advantages and internalization theory; determinants of FDI according to the horizontal FDI model or Proximity-Concentration Hypothesis (Krugman 1983); determinants of FDI according to vertical FDI model, Factor Proportions Hypothesis of the theory of international fragmentation (Helpman 1984); determinants to the Knowledge Capital Model (Markusen 1997); determinants of FDI according to the diversified FDI and risk diversification model (Hanson et al, 2001); determinants of FDI based on competitiveness and agglomeration effects (Gugler and Brunner 2007); and policy variables as determinants of FDI when FDI is seen as the result of a bargaining process between Multinationals and Governments (Barrel and Pain,1996).

Ngowi (2001) hence says that there is no one single theory of FDI but a variety of theoretical models attempting to explain FDI location determinants. The different approaches do not necessarily replace each other but explain different aspects of the same phenomenon. From each of the theories mentioned, a number of determinants can be extracted these include market size and characteristics, factors costs, transport costs, risk factors and policy variables. In an extensive literature review on the determinants of FDI, Ajayi (2007) has identified the following factors as determinants: market size and growth, costs and the skills of workers, availability of good infrastructure, country risk, openness, institutional environment, natural resources, agglomeration effects, returns on investment, macroeconomic policies among others. More recently Faeth (2009) presents a more elaborate work and observes that R&D and advertising expenditure, skills and technology intensity, the existence of multi plant enterprises and firm size are important ownership advantages in a number of studies, while in other studies aggregate variables such as market size, growth, and trade barriers have an effect on FDI.

In Kenya few studies have been conducted on FDI determinants. Kinaro (2006) using time series analysis finds that FDI in Kenya is determined by economic openness, human capital, real exchange rate, inflation, and FDI in the previous periods. Opolot et al (2008) find using panel data for Sub Saharan African Countries, Kenya included that market potential, openness to trade, infrastructure, urbanization, and rate of return on investment positively affect foreign direct investment inflows to Sub-Saharan Africa, while macroeconomic instability is a disincentive to foreign direct investment. Other variables such as government consumption, financial development, natural resources, wage and political rights are found to be insignificant. Mwega and Rose (2007) using panel data of 43 countries with a Kenyan dummy find that Kenya is not different from other countries and that FDI is determined by growth rates, terms of trade shocks, external debt ratio and quality of institutions.

2.5 The Concept of Work Permits

'Work permit' means a pass approved and issued by Department of Immigration to a foreigner permitting him/her to work in the country-either by taking up paid employment or start a business. Foreigners who wish to engage either alone or in partnership in business, specific trade or profession would have to furnish evidence that they have obtained or are assured of obtaining relevant licence(s), registration or other authority that may be necessary in order to engage in the contemplated business, trade or profession. In addition, they would be required to prove that they have sufficient capital derived from sources outside Kenya which is certain to be remitted to Kenya for the purpose (The Immigration Act, Cap. 172).

Chi-Yung (2004) asserts that work permit requirements are highly complex and their arrangements differ substantially across countries. Classifications vary, application procedures vary (forms, informational and documentary requirements, selection criteria, fees), as do administrative procedures (methods of assessment, how verification of documents occurs, arrangements for interviews, processing time). Allocation rules also differ through various qualitative and quantitative restrictions on work permit issuance and differing rules on how permanent residency is attained. Transparency in procedures is another issue, covering status inquiry procedures, notifications of delays, and inquiries as to grounds for rejections.

Whalley (1984) also notes that the application procedures for work permit are typically both cumbersome and costly. A person wishing to apply for a work permit must first obtain an application package. Each country embassy and consular office will typically have different application forms and requirements for the various types of work permits they require and most enquiries can only be handled by mail or by telephone, often with a lengthy waiting time. If application forms cannot easily be downloaded from the web, a person has to write to the embassy and consular office and it may take weeks for the office to send out an application package. Application procedures generally require not only filling in forms, but also collecting documents for photocopying and attaching to the application (e.g. proof of qualification, work experience, reference letters), taking and attaching recent photographs, visiting banks to buy foreign-currency bank drafts (since often credit cards are not accepted). Where certified documents and medical reports are needed, legal fees are incurred in notarizing the relevant documents and there may be extra costs for medical examinations. All these requirements not only lengthen the application time they also increase costs to the applicant. If an employer files for a work permit authorization on behalf of a foreign worker, typical work permit procedures require exhaustive details to be provided about the employer, the nature of the job, what efforts have been made to find local personnel and evidence of failure to do so, details of the candidate's experience, skills, and training, and verification of personal details. The filing process may take weeks or months. Long and tedious procedures clearly increase the cost to host employers and offset the benefit of hiring foreign workers, which in turn creates further barriers to cross border labour mobility.

Chanda (2002) argues that processing of work permit applications involves complex bureaucratic and administrative procedures. Personnel make initial assessments of applications, which may include checking if application forms are completed, relevant documents are attached and notarized, photographs are of specific size and other requirements are met, payment has been made and the bank draft is valid, and a medical report has been received. If any of the above are not met, office personnel have to write to the applicant to ask for further information. This involves extra administrative costs and time delays. After the initial assessment is completed, the same or other personnel may schedule an appointment with the applicant for an interview, involving time to prepare, conduct and assess. Other personnel (from consular offices or other governmental agencies) often verify documents and assess applications. In many countries, the final assessment requires a security check by the respective national security office. This can involve additional complex bureaucratic process involving the immigration department, the police office and other governmental agencies or departments. For most countries an applicant for a temporary work permit or permanent residency has to provide evidence of lack of criminal record in all countries they have resided in. They may have to apply for police certificates from different countries. Each country will have different administrative procedures and the result may be further lengthy processing and delay. Complex bureaucratic and administrative processes can result in lengthy processing times and delays. While stated official processing times for work permit applications may seem be short, anecdotal information suggests time delays are common and processing times range from 2 weeks to over 3 months. Recent tightening of work permit approval procedures in some countries, such as US, has resulted in time delays that can be up to 6 months. Delays are often attributed to complex bureaucratic procedures such as security checks by various governmental agencies, interview requirements, and backlogs of reapplications due to previous rejections

2.6 Work Permits and Foreign Direct Investment inflows

Do work permits promote or jeopardize foreign direct investment (FDI) inflows to less-developed countries? It is argued that they have conflicting effects on FDI inflows. On the one hand, they hinder FDI inflows by limiting the oligopolistic or monopolistic behaviors of multinational enterprises, facilitating indigenous businesses' pursuit of protection from foreign capital, and constraining host governments' ability to offer generous financial and fiscal incentives to foreign investors. On the other hand, they promote FDI inflows because they tend to ensure more credible property rights protection, reducing risks and transaction costs for foreign investors. Hence, the net effect of work permits on FDI inflows is contingent on the relative strength of these two competing forces (Ball 2008).

Kawai and Urata (2001), Waseda University in their report on "An Assessment of Impediments to Foreign Direct Investment in APEC Member Economies", prepared by the Japan National Committee for Pacific Economic Cooperation Council (JANCPEC) and sponsored by the APEC Business Advisory Council (ABAC) to assess and analyze impediments to Foreign Direct Investment (FDI) in the countries of the Pacific Rim. noted work permits as a critical impediment. He compiled the report with the help of the Japan Business Council for Trade and Investment Facilitation, from which Prof. Urata obtained fundamental data on over 200 companies to draw on. The results of the surveys showed that the most frequently reported FDI impediments include market access, lack of transparency in FDI regime, restriction on the level of equity participation, work permits and taxation. . Difficulty in obtaining work permit was found to be an FDI impediment in many APEC economies, both developing and developed economies. The economies that are reported to have high incidence of such impediment include Chinese, Indonesia, Malaysia, and the Philippines. Indonesia and the Philippines were found to have restrictive policies toward issuing work permit while Chinese and Malaysia were assessed to have relatively open policy on work permit.

Kinuthia (2010) Africa Studies Centre, Leiden, The Netherlands and University of Nairobi, School of Economics in his paper on, Determinants of Foreign Direct Investment in Kenya: New Evidence, submitted for the annual African International Business and Management (AIBUMA) Conference in Nairobi in August 2010 identified delays in licenses and work permits among several factors that present potential risks to foreign firms and may hinder their investment decision in Kenya. Despite all the current popular concern with this situation, Kawai and Urata (2001) assert that there has been relatively little academic research on work permits and their impacts on the global economy. They, thus also attempted to classify some of the problems which current work permit practices around the world create. Their list includes cumbersome and costly application procedures (form completion, document collection, photo and medical examination requirements, application fees and legal fees for notarizing documents), lengthy processing time and delay, complex bureaucratic and administrative processes (multiple assessment stages, interviews), rejection of application and costs of reapplying, quantitative limits on work permits, and strict eligibility conditions for work permit applications.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter described the research design adopted, the data collection instruments used and the data analysis technique employed to achieve the research objective.

3.2 Research Design

This study employed a case study research design, focusing on the Department of Immigration of Kenya to bring out the relationship between Foreign Direct Investment and Work Permits that the Department issues to foreign investors. This was the tool that was to bring the results as per the objectives of this study.

Young (1960) opines that a case is a very powerful form of qualitative analysis that involves a careful and complete observation of a social unit be that unit a person, a family, an institution, a cultural group or even the entire unit community. It is a method of study that drills down rather than casts wide. The research framework is of descriptive nature. A descriptive study is preferred to simple data as the researcher is able to investigate the relationship between two or more variables (Peterson 1982).

Case study research method is an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used (Yin 1994). Case study methods involve an in-depth, examination of a single instance or event. It also provides a systematic way of looking at events, collecting data, analyzing information, and reporting the results. As a result the researcher may gain a sharpened understanding of why the instance happened as it did, and what might become important to look at more extensively in future research.

3.3 Data Collection

Both primary and secondary data relevant to the objectives of the study was collected for analysis. The main focus of the data was on how the work permits issued by the Department of Immigration have influenced the level of FDI inflows in the country. Secondary data relating to work permits was obtained from the Immigration Department records such as the strategic plans, records of permits applied for and issued, annual reports and the department's website, policy documents and other relevant sources. On FDI, secondary data that was used was sourced from the Central Bank of Kenya Publications, Economic Survey and Statistical Abstracts for the Republic of Kenya, The United Nations Conference on Trade and Development (UNCTAD) Reports, The World Bank and International Monetary Fund Publications.

Primary data was obtained through unstructured questionnaires with open ended questions in the form of interviews with three key members sitting in the Permits approval Committee, which included the Director of Immigration Services, Permanent Secretary Ministry of Immigration and Registration of Persons, and the Senior Assistant Director of Immigration Services in charge of Permits. Also interviewed were five other officers involved in the acceptance and recommendation of Permits applications. Interview questions were exploratory designed to capture the relevant information, see interview guide (appendix 1). The questions were both open ended and closed consisting of two parts: part one based on general questions and part two on operational oriented and were to seek for respondents' ideas on the work permits issued by the department of Immigration and their relationship on FDI.

3.4 Data Analysis

This study was explanatory in nature and therefore content analysis method was used to analyze collected data. This method was chosen because of its strength in compressing lengthy interviews and conversations. It is also a good method where inferences will have to be made.

Data was classified into various themes for ease of analysis. Through this method, inferences were made by systematically and objectively identifying specified characteristics of information collected. Content analysis shall categorize phrases, describe the logical structure of expressions and ascertain associations, connotations, denotations, elocutionary forces and other interpretations (Mugenda 1999).

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

4.1 Introduction

The chapter presents the analysis of the data collected through the interview guide (see Appendix 1). Analysis of general information about investor permits comes first followed by operational related information on investor permits. The data was then analyzed using SPSS.

The aim of the study was to establish if work permits issued by the Ministry of Immigration and Registration of Persons have a relationship with the level of FDI flows in the country. The explanation of the results was provided under each section and some results presented in form of tables and graphs. The study achieved an 80% response rate with eight out of the ten targeted availing themselves for interviews. The response rate was considered suitable for analysis.

4.2 General information

This section was meant to extract basic information on the general requirements for an investor to qualify for a permit. It sought to bring out the general trend in permits issuance and the general requirements for the issuance of permits ranging from capital outlay, numbers of Kenyans compared to expatriates to be employed, the duration that an investor has stayed in the country, the cost of an investor permit among others.

The interviewees included Immigration Officers from the Permits section and some senior officials in the ministry that have influence in the issuance of permits. They were identified on the strength and the roles they play in terms of decision-making, especially in matters concerning investor permits. They were distributed across clusters including primary officers based at the accepting counters who recorded 42% response followed by the secondary officers at recommendation that recorded 33% followed by the decision making officers at 25%.The responses were collected and results presented as follows.

4.2.1 Capital requirements

From the responses collected and the information given by the interviewees it provided an indication on the capital requirements for an investor permit. For any investor to be issued with a permit, they need to have a certain amount of capital being the minimum required to set off the business. Most interviewees pegged ten million Kenya shillings as the ideal capital outlay while others pegged more than ten million Kenya shillings as the ideal capital requirement.

4.2.2 Duration that the investor has spent in Kenya before permit application

The information being sought here was for how long an alien has been in the country in order to qualify for an investor permit. The logic of this is that one cannot claim to want to invest in the country when they have not been in the country long enough to evaluate the investment prospects. The information collected depicted that five years is the minimum period of stay in the country before application, with a few officers interviewed indicating more than five years as the minimum period required.

4.2.3 Capacity of Kenyans as compared to expatriates to be employed by an investor

For an investor to qualify for a permit he needs to demonstrate how many Kenyans he will be able to employ in his organization as compared to expatriates. This is in line with the Kenyanisation policy put in place by the government to check on foreign investors’ employment trends. The statistics collected from the interviewees indicated that Kenyans need to be more than 50% of the composition of the employees in a foreign investors' establishment with a majority of those interviewed polling in that direction while a negligible figure of interviewees indicating 40% composition of Kenyan employees. For expatriate employees in a foreign investor's organization, majority of the interviewed officers indicated that the level should be maintained at less than 10% of the employee composition of the organization.

4.2.4 Investor permits issued annually

Here the researcher sought to find out on the average how many investor permits are issued annually and how many of those applied for annually are rejected. The interviewees indicated that over 10,000 are issued on the average annually. Some interviewees, however, indicated that about 7500 are issued annually with a negligible fraction indicating about 5000 annual issuance. Information on the annual rejection of investor permits was also sought from the officers and the following statistics were recorded. Generally, it was indicated that less than 100 applicants are turned down annually.

4.3 Operation related information

The purpose of this section was to gather information on the general day to day operations of the Immigration section charged with issuance of investor permits. This was to give a bearing if the practices and traditions of issuing permits have any influence on FDI flows in the country.

4.3.1 Operational hours of the Permits section

The interviewees were required to state the opening and closing hours of the counters in that section. The aim of this information was to determine if the operating hours have any influence on the number of permit applications received and subsequently issued. All the officers interviewed indicated 0800 hours and 1600 hours as the opening and closing hours of the counters respectively.

4.3.2 Investor applications accepted and rejected averagely daily

This section sought to find out from the accepting officers at the counters how many applications on the average are received daily and how many are rejected. Most of the officers indicated that more than 100 applications are received daily, while the rest indicated 75 applications averagely are received. Information on the daily average rejection of applications was also sought from the officers where majority of those interviewed indicated that less than 10 applications are turned down daily.

4.3.3 Reasons that can make investor permits to be rejected

The researcher's intention was to collection information on the major reasons that can make investor permits applications to be rejected. The officers were to assign weights to the different reasons for rejection ranging from capital requirements, Kenyans to be employed, tax compliance, nationality of the investor and performance of the organisation. The frequency of the response was computed into percentages to give the following response pattern. One hundred percent of those interviewed mentioned capital requirements as a major factor influencing rejection with 73% and 9% of those interviewed mentioning Kenyan employees and compliance to tax regulations respectively as the major factors influencing rejection of investor permits. Less weight was assigned to nationality of the investor, performance of the organization and period of the investor staying in the country.

4.3.4 Duration for processing investor permits

The objective here was to determine the waiting period for processing investor permits and if this could be having an effect on FDI flows into Kenya. The officers were to choose between less than one month processing period to more than three months. The statistics indicated that a few of the applications take up to more than three months on the average to process with a good number taking an average of two months. However, there are also those taking an average of less than a month.

4.3.5 Factors that determine the waiting period for processing investor permits

Interviewees were given weights to rate the major factors determining the waiting period for processing investor permits. The general picture portrayed by the statistics is that the type of application mostly determines the waiting period i.e. whether it is new or renewal with most interviewees rating it to a very large extent. This was followed by the class of permit applied for then the performance of the organization. The nationality of the investor least determines the waiting period for processing the permits.

4.3.6 Other Agencies and Permits Issuance

Immigration is the lead agent in the issuance of investor permits; however, there are some other agencies that also play a role. The interviewees were required to state the extent of participation of the NSIS, the Police, the Investment Promotion Centre and the ministries of Trade, Foreign Affairs, Tourism and Labour. The National Security Intelligence Service (NSIS) led the pack with all of those that were interviewed indicating that they play a role to a very large extent with the police not playing any significant role with a good number of those that responded to them indicating that they play no role at all. The Ministries of Trade and Labour; and the Investment Promotion Centre also play a major role with most officers responding that they play a role to a large extent. The Ministry of labour plays a role due to the number of Kenyans to be employed by investors wishing to establish in Kenya; Ministry of trade due to promotion of bilateral trade between Kenya and other countries and the Investment Promotion Centre due to Foreign Direct Investment flows promotion. Though to a moderate extent the Ministries of Tourism and Foreign Affairs were also mentioned by interviewees as playing a role. This is due to their respective role of tourism promotion and the fact that the investors issued with permits are foreigners.

4.4 Investor Permits and Foreign Direct Investment

The objective of this project is to investigate investor permits and if they have any influence on Foreign Direct Investment overall. Investor permits statistics were sourced from the Ministry of Immigration and Registration of Persons while those on FDI flows were from the Central Bank of Kenya, UNCTAD and World Bank Reports; and the research sought to see the interrelationship between these two variables.

4.4.1 Investor Permits

Investor permits issued by the Immigration can be either new applications or renewals. Table 4.1 below shows both types of permits issued annually and Table 4.2 shows their percentages annually. Figure 4.1 is a graphical representation of both new and renewed investor permits annually. The statistics show that most of the permits approved and issued are those not applied for for the first time. On the average the renewed permits issued stands at over 80% annually with the new applicants forming the 20%. Figure 4.1 shows the renewed investor permits graph well above the new applicant's annually.

Table 4.1 Number of Investor Permits Issued per year (F-J)

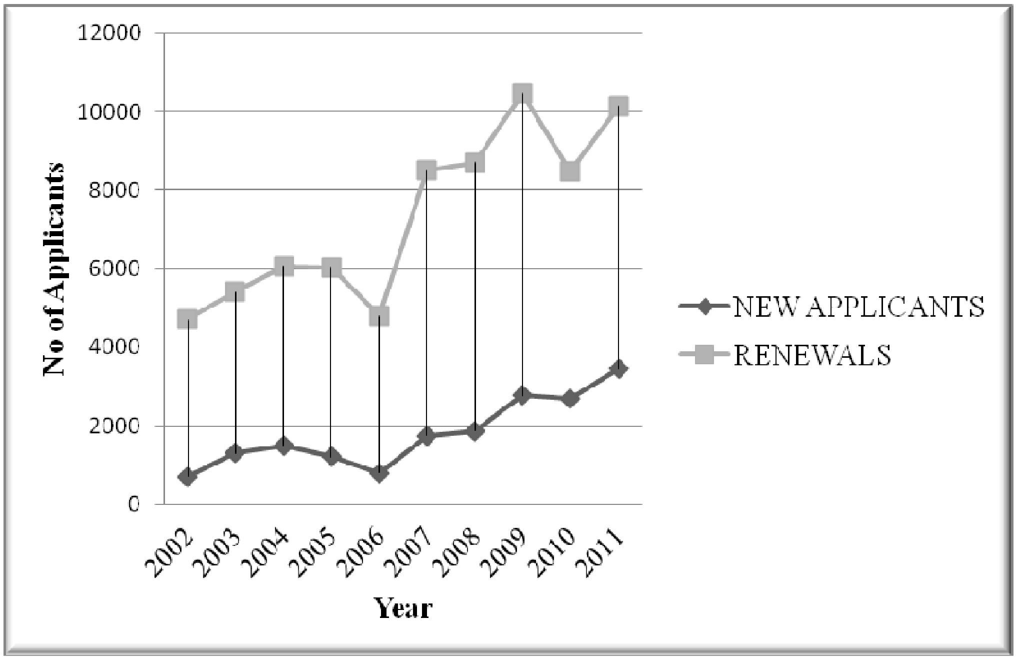
YEAR	NEW APPLICANTS	RENEWALS	TOTALS
2002	712	4702	5414
2003	1312	5413	6725
2004	1509	6076	7585
2005	1217	6045	7262
2006	801	4801	5602
2007	1748	8504	10252
2008	1867	8711	10578
2009	2773	10470	13243
2010	2704	8478	11182
2011	3457	10141	13598

Source: Ministry of Immigration and Registration of Persons.

Table 4.2 New versus renewed investor permits percentages

YEAR	NEW APPLICANTS	RENEWALS	TOTALS
2002	13	87	100
2003	20	80	100
2004	20	80	100
2005	17	83	100
2006	14	86	100
2007	17	83	100
2008	18	82	100
2009	21	79	100
2010	24	76	100
2011	25	75	100

Fig 4.1 Number of Investor Permits Issued per Year



4.4.2 Rejected Investor Permits

The researcher sought to get information on the number of investor permits that are rejected annually both new applications and renewals. This, the researcher thought, could help in giving a glimpse of whether they have an influence on FDI or not. The statistics indicate that most of the permits rejected are those applied for for the first time. On the average about 60% of those rejected are new applications. Renewed investor permits have very small chances of being rejected. Figure 4.14 below shows the line graph for the new applications of investor permits well above that for renewals for most of the entire stretch with exceptions between year 2005 and 2006.

Table 4.3 Rejected Investor Permits

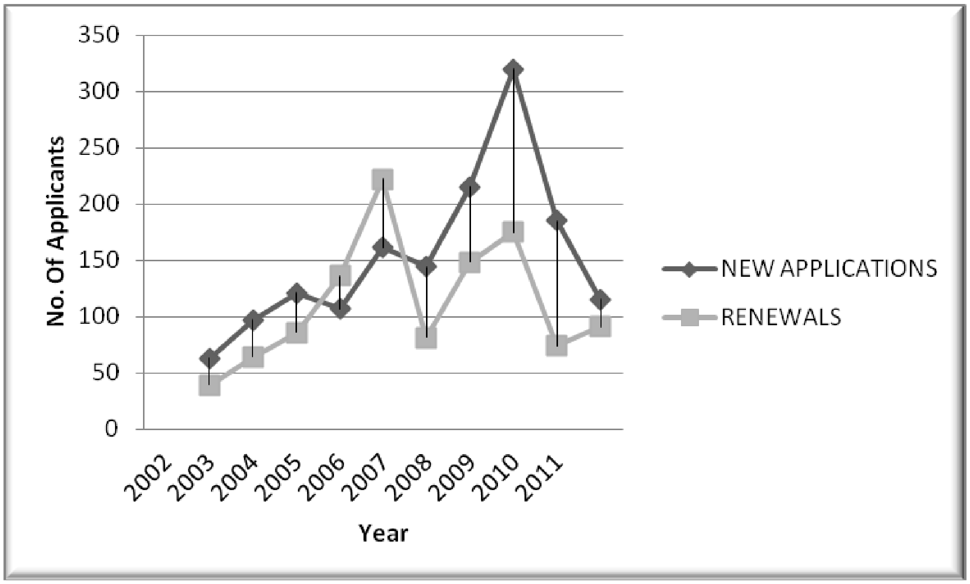
REJECTED PERMITS			
YEAR	NEW APPLICATIONS	RENEWALS	TOTALS
2002	63	39	102
2003	97	64	161
2004	121	86	207
2005	107	136	243
2006	161	222	383
2007	144	81	225
2008	215	148	363
2009	320	175	495
2010	185	74	259
2011	115	91	206

Source: Ministry of Immigration and Registration of Persons.

Table 4.4 Rejected permits percentages

REJECTED PERMITS%			
YEAR	NEW APPLICATIONS	RENEWALS	TOTALS
2002	62	38	100
2003	60	40	100
2004	58	42	100
2005	44	56	100
2006	42	58	100
2007	64	36	100
2008	59	41	100
2009	65	35	100
2010	71	29	100
2011	56	44	100

Fig 4.2 Rejected Permits



4.4.3 Foreign Direct Investment

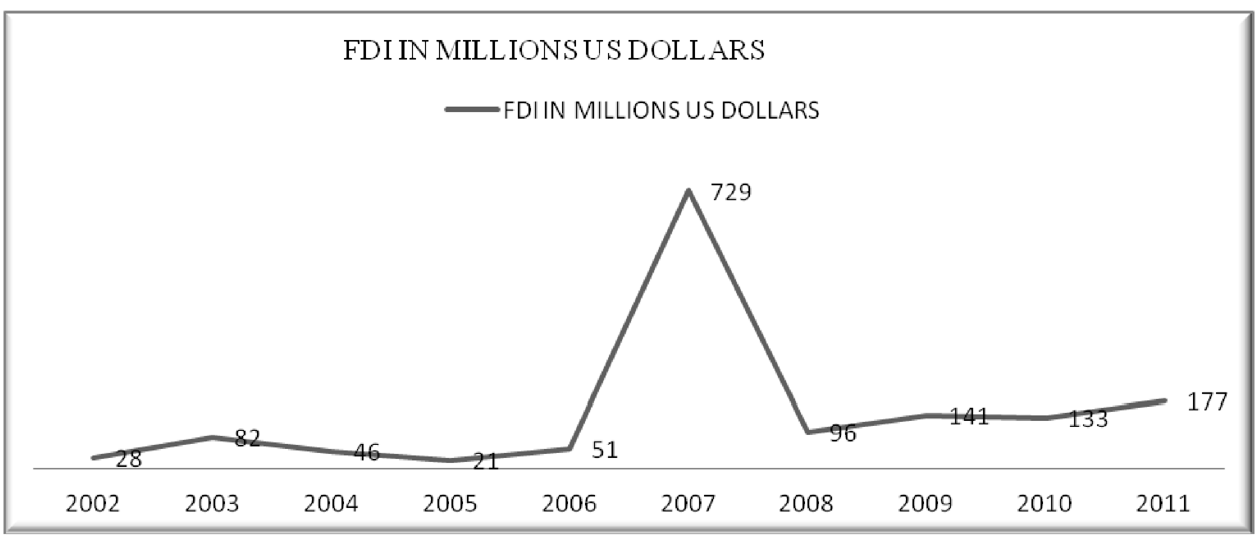
FDI is the dependent variable of the research question that the researcher sought to find out if it actually depends on investor permits issued by the Immigration. The figures were sourced from the Central Bank of Kenya, UNCTAD and the World Bank Reports. Table 4.5 below shows the statistics while figure 4.3 is the graphical representation of the same statistics in millions of USD. Year 2007 recorded the highest receipts in terms of FDI flows.

Table 4.5 Foreign Direct Investment Flows in Kenya

YEAR	FDI IN MILLIONS US DOLLARS
2002	28
2003	82
2004	46
2005	21
2006	51
2007	729
2008	96
2009	141
2010	133
2011	177

Source: Central Bank of Kenya

Fig 4.3 FDI in Millions of USD



As shown in Figure 4.3 above, FDI inflows into Kenya was relatively stagnant between the first four years of the period in reference i.e. 2002 and 2006. This period investment inflows into Kenya significantly declined to as low as USD 21 million compared to the rest of the period that is studied by this project then increased dramatically in 2007 and reached its highest level ever recorded during the period in review. Such growth was not sustained in the latter period; seeing FDI declining markedly in 2008, reducing more than seven times from USD 729 million in 2007 to USD 96 million in 2008, declined to almost previous levels and became stagnant again until 2011.

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CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings from the analysis, conclusions drawn from the study and sites the limitations of the study. It also suggests areas for further research and gives recommendations arising thereof.

5.2 Summary of Findings

Statistics on investor permits issued and on FDI inflows in Kenya show that there is a positive, though not very significant relationship between foreign direct investment and investor permits in Kenya. This positive relationship means that there is a sort of direct proportionate relationship between foreign direct investment and investor permits. These results also mean that there are some other factors that also played a role like inflation and terms of trade. Inflation, for example, affects foreign direct investment because of the uncertainties associated with it and the fear of lower returns from future investments.

Investor permits are issued in numbers annually with a very insignificant figure being rejected for one reason or another. This meagre rejection was found to be majorly due to lack of sufficient initial capital outlay, less Kenyan employees to be absorbed in the organization or due to non compliance with tax regulations of the country. Performance of the organization and the nationality of the investor were found to be insignificant in as far as permits issuance is concerned.

The general waiting period for processing an investor permit was found to be two months on the average, with others of course taking much less time depending on whether a permit is being renewed or applied for the first time; and the class of investor permits being applied for. Performance of the organization and nationality of the investor was found to be insignificant.

The statistics also indicate that investor permits are influenced by a number of factors. Capital requirements; the investor needs to have at least ten million Kenya Shillings to be granted the go ahead. Further, the investor needs to have been in the country long enough with the minimum period of stay being five years. It was also revealed, and of significance, that the investor needs to be able to employ in his organization a good percentage of Kenyans with more than fifty percent of the employment slots allocated to them and with a very insignificant percentage being expatriates whose skills are unique enough and not readily available locally.

Other agencies, it was also revealed, play a role in issuance of permits. The National Security Intelligence Service plays a major role in vetting applicants for permits issuance. Others include the Investment Promotion Centre and the Ministry of Trade and Industry. The police are least involved in permits issues.

5.3 Conclusions of the Study

The issue of whether foreign direct investment can be influenced by investor permits is still a debatable one. What is clear is that the relationship may be significant or insignificant depending on the country under study, type of investments, the adjective of the donor country, the implementation policy of the recipient country, the methodology used, and the period of study. In Kenya, however, the statistics reveal a positive though not very strong a relationship between foreign direct investment and investor permits and that despite some other factors also influencing FDI, investor permits, though insignificant in their influence, their impact cannot be wished away far too easily.

5.4 Limitations of the Study

This study was not without its limitations:

The Permits section of the Immigration department is very busy and getting officers to attend to the interviews was not very easy a task. More so getting the approving officers of permits, most of whom are senior level managers, and having them to respond to the interview questions was a nightmare.

The researcher was constantly out of the country on duty sometimes for long spells and synchronizing work and data collection for the project to be completed in time was not very easy.

5.5 Suggestions for Further Research

Since this explorative study is based on a relatively small sample, the findings invariably carry a tentative character. On the other hand, there are strong reasons for the assumption that the findings point in the right direction, for they are in conformity with expert opinions and available reports. The findings provide a useful base for formulating hypotheses regarding FDI flows and investor permits more especially in various aspects of international business such as technology transfer, employment effects, globalization of innovations and R&D, and finally about the motives, location selection, and problems faced in the host county.

It would also be exciting to look into similar issues in the other members of the East African Community, such as the Rwanda, Burundi and Southern Sudan. This would provide an interesting comparison and may contribute to a better understanding of the whole phenomenon of FDI flows and investor permits in the region. Finally, sector-specific determinants of FDI success seem to be a promising research issue.

5.6 Recommendations for Policy and Practice

Kenya has a relative advantage in resource endowments, large population, educated labor force, and comparable FDI incentives. However, the inflow of FDI into the country is relatively small as a proportion of total FDI inflows into the East African region (see Table 2.0). Kenya ranks third in the East African Community in attracting Foreign Direct Investment (FDIs) after Tanzania and Uganda and these three nations hardly differ in terms of natural resources. Some of the factors limiting Kenya to attract FDI include poor infrastructure, weak corporate governance, cost of doing business, the absence of large-scale privatization programmes, relatively smaller quantities of known natural mineral resources and inadequate FDI policy framework.

What should Kenya do to attract FDI? To improve total FDI inflows, the country's attractiveness needs to be enhanced. Political stability is a major factor in attracting FDI and as a country we are not yet out of the woods, seeing that just after the post-election violence in 2008, the contested referendum over the then proposed Constitution and soon after that we will be heading to the 2013 general elections. There is also need to reduce cost of doing business, simplify the regulatory environment, including issuance of investor permits; operationalize the 2004 Investment Promotion Act, improve governance and security, eradicate corruption and implement various Investment Policy recommendations such as the UNCTAD's Investment Policy Review of Kenya 2005. Kenya needs to build on four key strengths and opportunities: Her human resource base, which has the potential to be among the best in Africa; Her relative level of industrialization and economic development compared to neighboring countries; Her membership to preferential trade agreements, including COMESA and the EAC; and land and climate, which offer decisive comparative advantages in certain key agricultural sectors and in tourism

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APPENDICES

Appendix 1: Interview Guide

Part 1: General Information

1. What is your position in the Department of Immigration as far as Issuance of Work Permits is concerned? {Accepting officer}, {Recommending officer}, {Approving committee}?

2. Who qualifies for a Work Permit in Kenya?

3. On the average how many Permits are issued annually?

4. How much capital is required for each class of permit?

5. What capacity of Kenyan employees to the permit holder is recommended?

6. What percentage of expatriate employees is recommended?

Part 2: Operation related information.

1. How many Permits applications are received on the average per day?

2. From 1 above, on the average how many are new and how many are renewals?

3. How many applicants are turned down on the average per day?

4. What are the major reasons for turning down?

5. How many of the turned down applications are new and how many renewals on the average per day?

6. How many times can a permit be renewed?

7. How long does it take to process a permit? For new applications and renewals.

8. What determines the waiting period?

9. Do you charge different rates to the different classes of permits?

10. If yes above, why is it so and how much for each class?

11. What criterion is used to peg the charges?
12. What time are the accepting counters open?
13. What time do they close?
14. What is the role of other agencies in the issuance of permits;
    i. NSIS,
    ii. Police,
    iii. representatives from ministries of foreign affairs;
    iv. Labour;
    v. Tourism;
    vi. Trade and Industry;
    vii. The Investment Promotion Centre?
15. Do you think they interfere with the issuance of Permits?
16. What factors are put into consideration before approving an application for a Permit?
17. In your own view do you think work permits issued by the department of Immigration have a bearing on the level of Foreign Direct Investment in the country?

Appendix 2: A letter of Introduction.

University of Nairobi,

School of Business.

Dear respondents,

I am a post graduate student in the School of Business, University of Nairobi. I am conducting a management research on the Relationship between Investor Permits issued by the Immigration department of Kenya on Foreign Direct Investment.

In order to undertake this research, you have been selected to form part of the study. This letter is therefore to request for your assistance in filling the attached questionnaire.

The information will be treated with strict confidence and is purely for academic purpose. A copy of the final report will be availed to you upon request.

Your assistance and cooperation will be highly appreciated.

Yours faithfully,

Mwachiro George | Prof. Martin Ogutu

MBA student | Supervisor